

# **Kentucky Tobacco Settlement Trust Corporation**

## **Meeting Minutes**

**March 31, 2003**

**The Kentucky Tobacco Settlement Trust Corporation met on Monday, March 31, 2003 at 11:00 am in Room 110 of the Capitol Building, Frankfort, Governor Paul E. Patton, Chairman, called the meeting to order and the secretary called the roll.**

### **Members Present:**

Governor Paul E. Patton, Chairman; Tommy Bale, Gary Cecil, Joe Clark, Marshall Coyle, Debbie Draper, Paul Hornback, Jim Lacy, Wilson Stone, Henry West and John-Mark Hack, President with Mark Farrow serving as designee for Commissioner Billy Ray Smith.

### **Members Absent:**

General A.B. Chandler, Senator Vernie McGaha, Representative Roger Thomas

### **Legislative Guests:**

None

### **Other guests:**

Jeff Harper and Kim Tompkins, Governor's Office of Agricultural Policy; Benny W. Davis Jr. and Joseph A. Clark, Wachovia Information Consulting Group; David Draper, Hopkinsville and Tony McVeigh of Clear Channel.

### **Minutes of the March 5, 2002 Meeting:**

The Minutes of the March 5, 2002 meeting were approved as revised.

The Governor opened the meeting by expressing his appreciation of the efforts of all involved for their hard work regarding the Phase II efforts and turned the floor over to John-Mark Hack for a brief discussion of Administrative Costs.

John-Mark Hack, President of the Kentucky Tobacco Settlement Trust Corporation introduced Jeff Harper and Kim Tompkins, administrative staff of the Kentucky Tobacco Settlement Trust Corporation and then proceeded to explain

the "Administrative Cost Report" to those present. To date, the amount spent on administrative cost for Kentucky has not exceeded one percent of the total distribution. Mr. Hack explained that a significant factor in the success of Kentucky's program and low administrative costs is the active participation of County Extension agents and the state's Farm Service Agency offices. A formal thank you was given to Mr. Jeff Hall, state Farm Service Agency Executive Director.

A detailed comparison of Kentucky to other Class A and Class B tobacco states followed bringing attention to the efficient distribution of Kentucky funds. Mr. Hack confirmed a comment by the Governor that the funds left in the state's account at the end of a distribution were carried over into the next year's distribution total.

Mr. Hack then proceeded to review 2002's activity, including application and call center statistics, administrative costs and distribution totals per county. Administrative costs were reduced during 2002 by 11.5% from 2001 as a result of the renegotiation of the First Union contract. Mr. Hack asked for approval of the administrative costs for 2002 and closing out the 2002 compensation year. Joe Clarke moved, Jim Lacy seconded, vote passed.

Bennie Davis, managing consultant for Wachovia information consulting group, Jacksonville, Florida was introduced. Mr. Davis gave his thanks to the Governor, Mr. Hack, Jeff Harper, County extension agents and the FSA. Mr. Davis reported that 2002 was the best year ever for the Kentucky-Wachovia partnership. Wachovia fees had actually increased 25-30%, while Kentucky was able to reduce costs by 11%. Mr. Davis reported that Kentucky had reached a level of distributing 98% of the available funds, the highest of any state in the process. The cost of .69% cost of distributing money is well below the average of 2-3%. New technology is allowing all calls to the call center to be logged by the person calling in and they are also working on improved imaging in the system. Wachovia is also working on better locator systems to find individuals. Mr. Davis then introduced Joe Clark from the Wachovia Louisville Bond Office and closed his comments.

The board then proceeded to the 2003 plan draft. Mr. Hack read the plan to the board.

**"Approved Compensation Plan:**

The Kentucky Tobacco Settlement Trust Corporation hereby resolves that the plan for distributing proceeds from the National Tobacco Growers Settlement Trust be comprised of the following guidelines:

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Compensation for Quota Owners be made to owners of quota identified by the UDSA Farm Service Agency as of July 1, 2002 and/or the final lease and transfer date;

Compensation for Growing Farms and Grower/Tenants be based on a weighted average of payment pounds (average of effective quota and marketings) from crop years 1998, 1999, and 2000;

An additional application period would be conducted in 2003 to certify basic quota recipients for crop year 2001. The results of this application period would be averaged with crop year records from 1998, 1999, 2000 and payments would be made to all recipients on the 1998, 1999 and/or 2000 databases who meet the conditions described below;

Compensation be limited to those individuals who maintain a vested interest in tobacco production, in 1998 and/or 1999 and or 2000 as described in previous compensation plans. Compensation from the trust would be made only for the years in which an applicant had a vested interest in tobacco production, as described under previous compensation plans."

Paul Hornback inquired about those few tenant farmers who were not getting a payment or proper amount paid for specific years as a result of their not turning in or responding to the application process. Mr. Harper commented that in the context of the program, it was not feasible to go back for those individuals who had been informed, but had not responded to the application process, particularly with extent of the process and opportunities for resolution. Motion to accept the 2003 draft plan was made by Mr. Hornback and seconded, passed.

Mr. Hornback expressed his appreciation to the Governor and staff for their presentation in Shelby County.

Jim Lacy expressed his sincerest Thanks to the Governor for having "done a job like no other Governor has done for Kentucky agriculture."

The Governor expressed his thanks for the work of the Board and his pleasure that the last legislative session with no serious affects on the tobacco funds and his hope that the precedent has been set to leave those funds unaffected and that it will be the role of the board to continue to inform the new governor of the accomplishments and wishes of the board. Again he offered his thanks and appreciation to all present.

Mr. Hornback inquired about the status of the Phase II funds if there was a buyout effective September 1, 2002. Would the money scheduled for Phase II still be made available? Mr. Hack discussed several of the variables involved and promised to make the board aware of any future information.

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Mr. Stone asked that it be part of the official meeting minutes to Thank and congratulate the Governor, Mr. Hack, Mr. Harper, extension, FSA and all those involved in keeping the administrative cost of the program low. Mr. Stone made the motion, everyone seconded. The motion passed.

With no other business the meeting adjourned.